

OFFICES OF THE GOVERNORS

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May 23, 2006

MEMORANDUM OF UNDERSTANDING AMONG THE GOVERNORS OF IDAHO, MONTANA, AND NEVADA FOR PURPOSES OF COORDINATING SITING AND PERMITTING THE NORTHERNLIGHTS TRANSMISSION PROJECTS

WHEREAS, Idaho, Montana, and Nevada are signatories to the Western Governors' Association "*Protocol Among the Members of the Western Governors' Association Governing the Siting and Permitting of Interstate Transmission Lines in the Western United States*" (the "WGA Protocol"); and

WHEREAS, NorthernLights Transmission (NorthernLights) is formally initiating the siting and permitting process for two interstate transmission lines, this Memorandum of Understanding is entered into by the Governors for the purpose of siting and permitting them; and

WHEREAS, the states of Idaho, Montana, and Nevada will benefit from the NorthernLights projects by diversifying new energy supplies, stabilizing energy costs by developing new generation that is not susceptible to natural gas price volatility, keeping rates down by being able to access new lower-cost clean coal and renewable resources to serve local loads, and gaining the resulting economic development from building new generating plants; and

WHEREAS, we recognize that the entire Western Interconnection, as a single interconnected electrical grid, will also benefit from the NorthernLights projects by adding new generation, accessing lower cost electricity, stabilizing electricity prices, and improving the security of supply through fuel and geographic diversity; and

WHEREAS, we recognize that developing significant new transmission facilities, such as the NorthernLights projects, is a highly complicated process that will require our active support and participation, as well as the support of other government agencies at the federal, state and local levels; and

WHEREAS, NorthernLights has completed its initial development work and is now ready to begin the siting and permitting processes in each of our respective states, including the federal lands within our states; and

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WHEREAS, the WGA Protocol provides for the Governors of affected states to convene a team of appropriate representatives from each state to coordinate the review of a proposed project; and

WHEREAS, the WGA Protocol further provides for states to undertake consolidated environmental review of a proposed project, including coordinating and consolidating the environmental review with the appropriate federal agencies consistent with the legal and statutory responsibilities in each of our states.

NOW, THEREFORE, we are resolved as follows:

1. **Purpose.** The purpose of this Memorandum of Understanding (MOU) is to create a coordinated and efficient siting and permitting process under the auspices of the WGA Protocol for the NorthernLights projects. This structure will allow our States to work collectively to coordinate and consolidate the siting and permitting of the NorthernLights projects within and among our respective states, including coordinating and consolidating the state siting and permitting processes with the appropriate federal agencies.
2. **Project Configuration.** The initial NorthernLights configuration involves the construction of two high voltage direct current transmission lines and strategically-located converter stations in each state along the route. One project will originate in eastern Montana, traverse Idaho and terminate in southern Nevada. The second project will originate in northeastern Wyoming, traverse Idaho and terminate in southern Nevada. The NorthernLights projects also envision interconnections, either initially or later, with Utah, Arizona and California.
3. **General Support.** We acknowledge that the NorthernLights projects could provide significant benefits to our respective States and we offer our general support for going forward through the siting and permitting phase. However, we also recognize that the ultimate success of the NorthernLights projects will depend on the regulatory approvals and commercial support.
4. **State Advisory Committee.** We hereby create the State Advisory Committee of which each state will be a member. Each state will be represented on the State Advisory Committee by a senior-level staff person of its choosing. Each state will designate its representative and further commit to active participation by such staff, as well as necessary and appropriate back-up staff resources. We recognize that the NorthernLights projects will not move forward unless they are strongly supported at the highest levels of each of our governments and the necessary time and resources are committed. It is anticipated that the State Advisory Committee will meet in person or telephonically frequently in carrying out its work.
5. **Work of the State Advisory Committee.** The purpose of the State Advisory Committee is to develop, facilitate, and coordinate a consolidated siting and permitting process for the NorthernLights projects, which will also include working with the appropriate federal agencies and coordinating committees on such a process. The State Advisory Committee will serve as the high-level policy committee in developing and coordinating this process and will advise the work of the Project Team as identified

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in the WGA Protocol. The initial task of the State Advisory Committee will be to work with NorthernLights to develop a Project-specific agreement between the sponsors, our States and the federal government to efficiently site and permit the NorthernLights projects. This Project-specific agreement will include a funding agreement and a detailed scope of work, budget and timeline for completing the siting and permitting of the NorthernLights projects. This agreement envisions that the Project Team will do the day-to-day work on the siting and permitting of the NorthernLights projects

6. **Project Team.** We hereby create a Project Team within each of our states to undertake the day-to-day responsibilities for the coordinated siting and permitting of the project as specified in the WGA Protocol. A major task of the Project Team will be to coordinate its efforts with the appropriate Federal agencies and coordinating teams that are established according to Federal protocols. The State members of the Project Team will be comprised of the responsible state representatives for siting and permitting the NorthernLights projects within each state. The responsibilities of the Project Team are as identified and agreed to by the Governors in the WGA Protocol

7. **Funding.** We agree to work with the Western Governors' Association affiliate, the Western Interstate Energy Board (WIEB), to initially constitute the Advisory Committee and Project Team. This MOU envisions that appropriate fees that each state collects for its siting and permitting processes will fund the Project Team's work. However, should a state be unable to fund in its initial participation in its activities, we will work through WIEB to secure funding for the initial participation of that state. We further agree to pursue outside funding to offset some of these costs

8. **Other States.** The State Advisory Committee will work with other states that could benefit from expanding the NLT Project into their respective states to include them in this MOU. However, it is important to keep the work of the State Advisory Committee and Project Team on track and this additional work should be undertaken only if it does not delay the work on the NorthernLights projects. We further agree that the NorthernLights projects could be complementary to the "Frontier Line" or the "TransWest Express" projects and we encourage the other States working on these projects to join this MOU for purposes of siting and permitting interconnections with the NorthernLights projects within their respective states.

9. **Federal Agencies.** The WGA Protocol was also signed by Federal agencies and this MOU envisions these agencies participating in the coordinated and consolidated permitting and siting of the NorthernLights projects through a Project-specific agreement

10. **Project Support in Federal Processes.** We acknowledge that the Energy Policy Act of 2005 directs the Federal government to undertake several initiatives that may impact the NorthernLights projects. We agree to work within these Federal processes to facilitate the development, permitting and siting of the NorthernLights projects.

11. **Facilitating Commercial Arrangement.** We acknowledge that a major transmission project of this magnitude will require commercial support from loads, utilities and generators in order to complete this project. We agree to work with

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Northern Lights and commercial interests within our states to facilitate these arrangements within and between interests in our respective states

12. **Preservation of Existing Legal Authorities.** Nothing in this MOU shall be construed to limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of the signatories as provided by agreement, statute or any other law or applicable court decision.

13. **Effective Date.** This MOU shall become effective when signed by all of the parties.

14. **Withdrawal/Termination/Amendment.** Any party to this MOU may withdraw at any time upon written notice to others. This MOU will terminate if two parties withdraw. This MOU can be modified if all parties agree.

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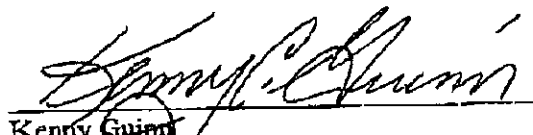
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James E. Risch
Governor of Idaho

Date


Brian Schweitzer
Governor of Montana

Date


Kenny Guinn
Governor of Nevada

Date